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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

CARL J. KUNASEK

Chairman

2000 NOV 27 A 9:30

DOCKETED

JIM IRVIN

Commissioner

NOV 27 2000

WILLIAM A. MUNDELL

Commissioner

AZ CORP COMMISSION
DOCUMENT CONTROL

DOCKETED BY

SS

IN THE MATTER OF THE APPLICATION OF)
 DANCRIIS TELECOM, LLC, FOR A)
 CERTIFICATE OF CONVENIENCE AND)
 NECESSITY TO PROVIDE COMPETITIVE)
 INTRASTATE TOLL TELECOMMUNICATIONS)
 SERVICES AS A RESELLER, EXCEPT)
 LOCAL EXCHANGE SERVICES.)

DOCKET NO. T-03296A-96-0590

STAFF'S FAIR VALUE RATE
BASE COMMENTS

On November 3, 2000, DanCris Communications Corp. ("DanCris") filed a response to the September 27, 2000 Procedural Order's requirement that DanCris file Fair Value Rate Base ("FVRB") information in support of its application for a Certificate of Convenience and Necessity ("CC&N"). DanCris is currently providing service in Arizona. The September 27, 2000 Procedural Order ordered the Utilities Division Staff ("Staff") to file disagreements with the proposed FVRB and/or rates and charges within 60 days of the date of the Procedural Order.¹ Staff hereby files its disagreements with DanCris's November 3, 2000 filing.

Staff's Substantive Comments.

DanCris's response to the ordered FVRB information provides insufficient information for Staff analysis and recommendation for a fair value finding in this case. At a minimum, Staff requires the following three items of information of DanCris in order to make a FVRB recommendation. First, a dollar figure representing DanCris's rate base is necessary for a FVRB analysis. This dollar figure should include all assets DanCris will use to provide the proposed telecommunications services to its Arizona customers for the first twelve months of service, and can include office space, office equipment, company vehicles, and other like items. Second, a FVRB analysis requires that

¹ The September 27, 2000 Procedural Order also ordered Staff to review the FVRB information filed and ascertain that DanCris is utilizing the appropriate amount of depreciation and capital carrying costs in determining its total service long-run incremental costs. The information filed by DanCris on November 3, 2000 was not sufficient to allow Staff to so ascertain.

1 DanCris provide an estimate of its maximum revenues to be received in exchange for providing the
2 proposed telecommunications services to its Arizona customers for the first twelve months of
3 service, assuming the maximum rates as filed in the application. Third, a FVRB analysis requires
4 that DanCris provide an estimate of its maximum expenses incurred in providing the proposed
5 telecommunications services to its Arizona customers for the first twelve months of service,
6 assuming the maximum rates as filed in the application.

7 The September 27, 2000 Procedural Order referenced the Opinion of the Arizona Court of
8 Appeals, Division One in Cause No. 1 CA-CV 98-0672 ("Opinion"). Since the issuance of that
9 Opinion and the Procedural Order, several parties to that case have filed petitions for review of the
10 Opinion to the Arizona Supreme Court, including the Commission, Electric Lightwave, Inc., AT&T,
11 Sprint Communications, MFS Intelnet, and Cox Arizona Telcom.

12 **Staff's Procedural Comments.**

13 Staff believes that in light of the current appeal status of the Opinion, that DanCris should
14 have the choice of the following two procedural options in proceeding with its CC&N application.
15 Alternative #1:

16 Staff recommends that if DanCris wishes to have permanent rates set in this proceeding, that
17 it be ordered to file the three above-described FVRB information items within 30 days of the date
18 of any Commission order granting the requested CC&N. If there are any disagreements with any
19 FVRB information DanCris files, the Order granting DanCris's CC&N should be stayed pending
20 resolution of those disagreements.

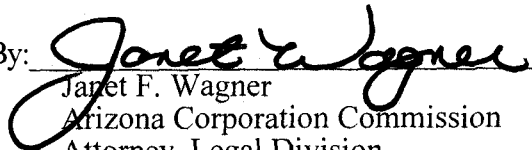
21 Alternative #2:

22 If DanCris desires to proceed with its CC&N application without providing FVRB
23 information at this time, Staff believes that any tariffs filed in this matter should be reviewed and
24 approved on an interim basis. If a CC&N is conditionally granted and tariffs are authorized on an
25 interim basis, DanCris should be required to file the three FVRB items with the Commission within
26 thirty days of any final court mandate on the Fair Value requirement, and failure to file the
27 information should result in the expiration of the conditional CC&N as well as expiration of any
28 approval to charge its tariffs on an interim basis. If there are any disagreements with any FVRB

1 information DanCris files, the Order granting DanCris's CC&N should be stayed pending resolution
2 of those disagreements.

3 RESPECTFULLY SUBMITTED this 27th day of November, 2000.

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5 By:


Janet F. Wagner
Arizona Corporation Commission
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9 The original and fifteen copies
10 of the foregoing filed this 27th day
of November, 2000, with:

11 Docket Control
12 Arizona Corporation Commission
13 1200 West Washington Street
Phoenix, Arizona 85007

14 Copy of the foregoing was mailed
this 27th day of November, 2000 to:

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